

August 5, 1983

Dear Mr. B

This is in response to your letter of March 29, 1983, regarding the application of change in ownership rules to property transfers between related on profit public benefit corporations involving the E and the R. I hope you will excuse the delay in responding. As you recall the original letter was inadvertently misplaced and we needed to get copies before we responded.

Your letter included a letter from B attorney for the E group in which he explained that the E is a California public benefit corporation operating a general acute care hospital in Riverside County. It is the sole member of R, also a California public benefit corporation. Thus, the relationship between E and R is in the nature of a parent-subsidiary association between two entities. As described by Mr. the Board of Directors of E contemplates the transfer of real property from E to R for management purposes, and perhaps the creation of additional public benefit corporations each of which would in a subsidiary relationship to a proposed public benefit parent corporation. He suggests that these transfers would be exempted from change in ownership under Section 64(b) and indicates that they had obtained such a ruling from the Los Angeles County Assessor's Office.

It is my opinion that the proposed transfer from E to R would not result in a change in ownership; however, I do not believe that Section 64(b) is the applicable section. By its express terms, Section 64(b) does not apply

to nonprofit public benefit corporations but only to corporations which have stock. Rather, I believe the proposed transfer from E to R would be excluded from change in ownership by Section 62(a)(2) as a transfer between entities without a change in the proportional ownership interests.

I also believe that transfers by and between the other entities proposed to be created would meet the tests of exclusion. My conclusion is based on the assumption the facts as outlined above with respect to the relationship between E and its subsidiaries will remain the same. The exclusion will apply even with the creation of a new parent if the members of the new parent are identical with the members of E. It would be best, however, if we had the opportunity to express our opinion on the exact transaction when the new parent is to be created. The description in Mr. B letter seemed a little tentative.

Very truly yours,

Lawrence A. Augusta
Assistant Chief Counsel

LAA:jlh

cc: Mr.

bc: Mr. Gordon P. Adelman
Mr. Robert H. Gustafson
Mr. Verne Walton
Legal Section